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Proposed Counsel to the Debtors
and Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

- - - - - x
:
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. 08- ____ (____)
et al., :
:
Debtors. :
- - - - - x

**MOTION OF THE DEBTORS FOR ORDER PURSUANT TO BANKRUPTCY
CODE SECTIONS 105, 363, 364, 1107 AND 1108, AND
BANKRUPTCY RULE 6003 (I) AUTHORIZING DEBTORS TO MAINTAIN
INSURANCE POLICIES, PAY INSURANCE OBLIGATIONS, AND RENEW
INSURANCE POLICIES; (II) AUTHORIZING INTERCOMPANY
TRANSACTIONS; AND (III) GRANTING SUPERPRIORITY CLAIM
STATUS TO POSTPETITION INTERCOMPANY CLAIMS**

The debtors and debtors in possession in the
above-captioned cases (collectively, the "Debtors")¹

¹ The Debtors and the last four digits of their respective
taxpayer identification numbers are as follows: Circuit City
(cont'd)

hereby move for entry of an order, pursuant to sections 105, 363, 364, 1107, and 1108 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 6003 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") (i) authorizing, but not directing, the Debtors to maintain their existing insurance policies, pay all insurance obligations arising thereunder or in connection therewith, and to renew existing insurance policies, or enter into new insurance arrangements, as may be required as the annual terms of existing arrangements expire; (ii) authorizing, but not directing, intercompany transactions; and (iii) granting superpriority claim status to all postpetition intercompany claims. In support of the Motion, the Debtors rely on and incorporate by reference the

(cont'd from previous page)

Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), Prahs, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address is 9950 Mayland Drive, Richmond, Virginia 23233.

Declaration of Bruce H. Besanko, Executive Vice President and Chief Financial Officer of Circuit City Stores, Inc., in Support of Chapter 11 Petitions and First Day Pleadings (the "Besanko Declaration"), filed with the Court concurrently herewith. In further support of the Motion, the Debtors respectfully represent as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction to consider this Motion under 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(b). Venue of these cases and this Motion in this District is proper under 28 U.S.C. §§ 1408 and 1409.

2. The statutory predicates for the relief requested herein are Bankruptcy Code sections 105, 363, 364, 1107, and 1108. Such relief is warranted pursuant to Bankruptcy Rule 6003.

BACKGROUND

3. On the date hereof (the "Petition Date"), the Debtors filed voluntary petitions in this Court for relief under chapter 11 of the Bankruptcy Code. The factual background regarding the Debtors, including

their business operations, their capital and debt structure, and the events leading to the filing of these bankruptcy cases, is set forth in detail in the Besanko Declaration, filed concurrently herewith and fully incorporated herein by reference.²

4. The Debtors continue to manage and operate their businesses as debtors in possession pursuant to Bankruptcy Code sections 1107 and 1108.

5. No trustee or examiner has been appointed in these chapter 11 cases, and no committees have yet been appointed or designated.

RELIEF REQUESTED

6. By this Motion, the Debtors seek entry of an order authorizing, but not directing, the Debtors to maintain their various insurance policies (collectively, the "Insurance Policies") and to pay all premiums, brokers' fees, administrations fees, and consulting fees, (the "Insurance Obligations"), arising under or in connection with the Insurance Policies which the Debtors have obtained through several third-party insurance

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Besanko Declaration.

carriers (collectively, the "Insurance Carriers"), including any Insurance Obligations for prepetition periods.³

7. In addition, the Debtors request entry of an order authorizing and directing the Debtors' banks to receive, process, honor, and pay all of the Debtors' prepetition checks and fund transfers on account of any prepetition Insurance Obligations.

8. The Debtors also seek entry of an order authorizing, but not directing, the Debtors to renew Insurance Policies, or enter into new insurance arrangements as may be required as the annual terms of existing arrangements expire, in the ordinary course of business, without further order of the court.

9. Finally, the Debtors seek entry of an order authorizing, but not directing, intercompany transactions among the Debtors, and granting superpriority claim status to all postpetition intercompany claims.

3 Attached hereto as Exhibit A is a list of the Insurance Policies maintained by the Debtors.

BASIS FOR RELIEF

A. Insurance Policies and Obligations

10. In connection with the operation of their businesses and management of their properties, the Debtors maintain various Insurance Policies. As set forth in Exhibit A hereto, the Insurance Policies include coverage for, among others, workers' compensation claims, automobile claims, business aircraft claims, fiduciary liability claims, claims for losses due to crime, business travel and accident claims, stock throughput claims, boiler and machinery claims, certain general and excess liability claims, directors' and officers' liability, employers' liability, and various property-related liabilities. The third-party claims that are covered by the Insurance Policies are neither unusual in amount nor in number in relation to the extent of the business operations conducted by the Debtors.

11. To the extent that any Insurance Policy premiums may be attributed to prepetition insurance coverage, the Debtors believe that payment of such Insurance Policy premiums is necessary to ensure

continued coverage under such Insurance Policies and to maintain good relationships with the Debtors' insurers.⁴ Similarly, the Debtors' believe that continued payment of Insurance Policy premiums as such premiums come due in the ordinary course of the Debtors' business is necessary. The Debtors' maintenance of their relationships with their insurers is critical to ensuring the continued availability of insurance coverage and reasonable pricing of such coverage.

12. The Debtors have been represented in their negotiations with their various insurance underwriters by Beecher Carlson Insurance Services, Inc., Aon, Marsh USA, Inc., Mercer Insurance Group, and Jardine Lloyd Thompson Canada (collectively, the "Insurance Brokers"). The employment of the Insurance Brokers has allowed the Debtors to obtain the insurance coverage necessary to operate their businesses in a reasonable and prudent manner, and to realize

⁴ The Debtors believe that they are current on all insurance premium obligations. Nonetheless, out of an abundance of caution, the Debtors are seeking express authority to make payments for any insurance premium obligations that may be attributed to prepetition insurance coverage.

considerable savings in the procurement of such policies. The Debtors believe that it is in the best interests of their creditors and estates to continue their business relationships with the Insurance Brokers. Accordingly, the Debtors seek the entry of an order authorizing them to continue their prepetition practice of paying fees to the Insurance Brokers in connection with their representation of the Debtors in various ongoing negotiations with the Debtors' Insurance Carriers in an amount up to \$230,000.

13. The Debtors have engaged Specialty Risk Services ("SRS") to administer their general liability, auto liability, and workers' compensation policies. The Debtors believe that the employment of SRS is the most cost-effective way to handle the high volume of claims that must be administered under these policies. Because the Debtors believe it is in the best interests of their creditors and estates to continue their business relationship with SRS, the Debtors seek entry of an order authorizing, but not directing, payment of all prepetition fees owed to SRS in an amount up to \$160,000 and authorizing the continuation of the Debtors'

prepetition practice of paying fees to SRS in connection with their administration of the Debtors' general liability, auto liability, and workers compensation policies.

14. The Debtors also employ The Travelers Company and Sedgwick Claims Management Services (collectively, the "Other Administrators") to administer various insurance policies. As with the Debtors' employment of SRS, the Debtors believe that the employment of the Other Administrators is the most cost-effective way to handle the high volume of claims that must be administered under these policies. Because the Debtors believe it is in the best interests of their creditors and estates to continue their business relationship with the Other Administrators, the Debtors seek entry of an order authorizing, but not directing, payment of all prepetition fees owed to the Other Administrators in an amount up to \$15,000 and authorizing the Debtors to continue their prepetition practice of paying fees to the Other Administrators in connection with their administration of the Debtors' insurance policies.

15. The Debtors are assisted by Navigant Consulting Inc. ("Navigant") in managing difficult claims with high liability exposure and the potential to interrupt the Debtors' ongoing business operations. The Debtors engage Navigant to handle specific losses and enter into a new contract for each of these engagements. The Debtors make payments to Navigant on an interim basis and submit these charges by Navigant to the insurance carrier as part of the claim. The Debtors are then reimbursed for all payments to Navigant when the insurance carrier processes the underlying claim. Because Navigant has expertise in handling high liability exposure claims and helps limit the interruption of the Debtors' ongoing business on account of these difficult claims, the Debtors believe that it is in the best interests of their creditors and estates to continue their business relationship with Navigant. Accordingly, the Debtors seek entry of an order authorizing, but not directing, payment of all prepetition fees to Navigant in an amount up to \$5000 and authorizing the Debtors to continue their prepetition practice of paying fees to Navigant in

connection with their facilitation of the Debtors' management of difficult claims.

16. The Insurance Policies maintained by the Debtors will all eventually expire under their annual terms, beginning with policies due to expire in December 2008. The Debtors believe that renewal of these policies or entry into new insurance arrangements is necessary to comply with the United States Trustee Requirements and various state laws. Therefore, the Debtors request entry of an order authorizing them to continue their prepetition practice of renewing the Insurance Policies or entering into new insurance arrangements in the ordinary course of business as the annual terms of the Insurance Policies expire.

B. Intercompany Transactions

17. Many of the Debtors' Insurance Policies cover both the Debtors and certain of the Debtors' affiliates that are not Debtors in these cases (the "Non-Filing Affiliates"). Other Insurance Policies cover exclusively Non-Filing Affiliates. In any case, the parent company, Circuit City Stores, Inc. ("CCS"), pays all of the Insurance Obligations and charges its

subsidiaries, including the Non-Filing Affiliates, through journal entries to intercompany loan accounts, allocating the premiums to the subsidiaries depending on the particular type of insurance coverage (all such intercompany transfers, the "Intercompany Transactions"). For example, premiums for property coverage are allocated among subsidiaries based on the value of properties held by the subsidiaries. General liability is allocated among subsidiaries based on sales volume.

18. These Intercompany Transactions reduce the Debtors' administrative costs, ensure that all affiliates of the Debtors' maintain appropriate insurance coverage, and, in certain cases, result in tax benefits to the Debtors. Because the Non-Filing Affiliates are associated with the Debtors, the entirety of the Intercompany Transactions among the Debtors and the Non-Filing Affiliates remains within the spectrum of the Debtors' control. Accordingly, the Debtors' seek entry of an order authorizing the continuation of Intercompany Transactions.

19. In addition to the foregoing, the Debtors also engage in a series of Intercompany Transactions

with Northern National Insurance, Ltd. ("NNIL"), a wholly-owned subsidiary of CCS. The Debtors' pay premiums to NNIL to insure a portion of their deductible under their workers' compensation policies. The Debtors' believe that this arrangement provides certain risk-pooling advantages. Consequently, the Debtors' seek authority to continue to pay these particular Insurance Obligations constituting an Intercompany Transaction.

20. Moreover, to ensure that each individual Debtor will not fund the operations of another entity at the expenses of such Debtor's creditors, the Debtors request that all intercompany claims (the "Intercompany Claims") against a Debtor by another Debtor or by a Non-Filing Affiliate arising after the Petition Date as a result of Intercompany Transactions (the "Postpetition Intercompany Claims") be accorded superpriority status, subject and subordinate only to other valid liens in existence as of the Petition Date.

APPLICABLE AUTHORITY

I. INSURANCE POLICIES AND OBLIGATIONS

A. Payment Of The Insurance Obligations And Renewal Of The Insurance Policies Is Necessary To Comply With United States Trustee Requirements.

21. Maintenance of insurance coverage under the various Insurance Policies is essential to the continued operation of the Debtors' businesses and is required under the United States Trustee's Operating Instructions and Reporting Requirements for Chapter 11 Cases (the "Operating Guidelines"), the laws of the various states in which the Debtors operate, and the Debtors' various financial agreements. See U.S. Trustee's Operating Guidelines ¶ 4 (Apr. 13, 1998) (requiring maintenance of appropriate insurance coverage). Thus, the Debtors submit that they should be authorized to continue to pay Insurance Policy premiums as such premiums come due in the ordinary course of the Debtors' business.

22. The Debtors believe that the ordinary course maintenance of the Insurance Policies, including payment of all Insurance Policy premiums, without

further order of the Court, is necessary and essential to the Debtors' operation of their businesses during their reorganization, especially where, as here, the Debtors' failure to pay their premium obligations to the Insurance Carriers could have disastrous consequences for the Debtors.

23. Specifically, the Insurance Carriers may cancel the insurance policies for nonpayment. Because the Debtors are required to maintain insurance coverage during their chapter 11 cases, the cancellation of these policies is particularly disastrous.

24. Likewise, because the Insurance Policies are all due to expire, the Debtors believe that the ordinary course maintenance of insurance coverage, including renewal of, or entry into, insurance arrangements is necessary to the Debtors' effective operation of their business and their reorganization.

25. Finally, insofar as the employment of the Insurance Brokers, SRS, the Other Administrators, and Navigant is necessary for the ordinary course maintenance of the Insurance Policies in the most efficient, cost-effective manner, the Debtors believe

that they should be authorized to continue to pay the Insurance Obligations to the Insurance Brokers, SRS, the Other Administrators, and Navigant as these obligations become due.

B. Payment Of The Insurance Obligations Is Authorized Under Bankruptcy Code Sections 1107(a) And 1108.

26. The Debtors, operating their businesses as debtors in possession under Bankruptcy Code sections 1107(a) and 1108, are fiduciaries "holding the bankruptcy estate[s] and operating the business[es] for the benefit of [their] creditors and (if the value justifies) equity owners." In re CoServ, L.L.C., 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002). Implicit in the duties of a chapter 11 debtor in possession is the duty "to protect and preserve the estate, including an operating business's going-concern value." Id.

27. At least one court has noted that there are instances in which a debtor in possession can fulfill its fiduciary duty "only . . . by the preplan satisfaction of a prepetition claim." See id. The CoServ court specifically noted that preplan satisfaction of prepetition claims would be a valid

exercise of a debtor's fiduciary duty when the payment "is the only means to effect a substantial enhancement of the estate." Id. at 498. The court provided a three-pronged test for determining whether a preplan payment on account of a prepetition claim was a valid exercise of a debtor's fiduciary duty:

First, it must be critical that the debtor deal with the claimant. Second, unless it deals with the claimant, the debtor risks the probability of harm, or, alternatively, loss of economic advantage to the estate or the debtor's going concern value, which is disproportionate to the amount of the claimant's prepetition claim. Third, there is no practical or legal alternative by which the debtor can deal with the claimant other than by payment of the claim.

Id. at 498.

28. Payment of the Insurance Obligations and renewal of the Insurance Policies, or entry into new insurance arrangements meets each element of the CoServ court's standard. First, as described above, insurance coverage is required by the Operating Guidelines. Moreover, as a fiduciary for the bankruptcy estates, the Debtors could be violating their duties if they permitted any of the Insurance Policies to lapse. In addition, in the event that the Debtors were unable to

pay the brokers' fees, administration fees, and consulting fees, it is likely that the Debtors would lose the services of knowledgeable agents and be forced to find other entities willing to serve as their insurance brokers, administrators, and consultants. The Insurance Brokers, SRS, the Other Administrators, and Navigant have a unique knowledge of the Debtors' business and insurance needs that would be difficult if not impossible to replace in the event that these entities refused to continue as the Debtors' agents.

29. Second, as described above, non-payment of the Insurance Obligations could result in cancellation of the Insurance Policies and disengagement of the Insurance Brokers, SRS, the Other Administrators, and Navigant, in which case the Debtors would not only be in violation of the Operating Guidelines, the laws of various states in which the Debtors operate, various financial agreements, but also the Debtors may be unable to find alternative insurance coverage, brokerage services, administration services consulting services, or find such alternatives only at a much higher cost than Debtors currently incur. Therefore, the potential

harm and economic disadvantage that would stem from the cancellation of the Insurance Policies, disengagement of the Insurance Brokers, SRS, the Other Administrators, and Navigant, and failure to renew the Insurance Policies or enter into new insurance arrangements are grossly disproportionate to the amount of the Insurance Obligations, and the costs of renewal or entry into new insurance arrangements.

30. Third, the Debtors have examined other options short of payment of the Insurance Obligations and renewal or entry into new insurance arrangements and have determined that to there exists no practical or legal alternative to payment of the Insurance Obligations and renewal or entry into new insurance arrangements.

31. Accordingly, to meet their fiduciary duties as debtors in possession under Bankruptcy Code sections 1107(a) and 1108, the Debtors must be authorized to pay the Insurance Obligations and renew the existing Insurance Policies or enter into new insurance arrangements. The Debtors thus seek authority to pay all Insurance Obligations that may become due

with respect to the Insurance Policies if such payment is necessary in the Debtors' judgment in order to avoid cancellation or interruption of insurance coverage, brokerage services, administration services, or consulting services. In addition, the Debtors seek authority to renew the existing Insurance Policies or enter into new insurance arrangements, as has been the Debtors' prepetition practice in the ordinary course of business.

**C. Payment Of The Insurance Obligations And
Renewal Of The Insurance Policies Is
Appropriate Under Bankruptcy Code 363(b).**

32. Bankruptcy Code section 363(b) provides, in relevant part, that "[t]he trustee, after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). Under this section, a court may authorize a debtor to pay certain prepetition claims. See In re Ionosphere Clubs, Inc., 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989). To do so, "the debtor must articulate some business justification, other than mere appeasement of major creditors." Ionosphere Clubs, 98

B.R. at 175; see also In re NVR L.P., 147 B.R. 126, 128 (Bankr. E.D. Va. 1992).

33. Although the Debtors have routinely engaged in the payment of insurance policy premiums, brokers' fees, administration fees and consulting fees, and the renewal of insurance policies prior to the Petition, out of an abundance of caution, the Debtors seek the relief requested herein. In the event Court authority is necessary, it is the Debtors' business judgment that, as discussed above, the failure to pay the Insurance Obligations and failure to renew existing Insurance Policies or enter into new insurance arrangements could result in the cancellation of Insurance Policies, the disengagement of the Insurance Brokers, SRS, the Other Administrators, and Navigant, violation of the Operating Guidelines, the laws of various states in which the Debtors operate, various financial agreements, and the fiduciary duties of the debtors in possession.

34. Accordingly, this Court should authorize the payment of the Insurance Obligations and renewal of

existing Insurance Policies or entry into new insurance arrangements under Bankruptcy Code section 363(b).

D. The Bankruptcy Code Section 105 And The Doctrine Of Necessity Support Payment Of The Insurance Obligations.

35. The proposed payments of prepetition Insurance Obligations should be authorized pursuant to Bankruptcy Code section 105 and under the "doctrine of necessity."

36. Bankruptcy Code section 105 authorizes this Court "to issue any order . . . necessary or appropriate to carry out the provisions" of the Bankruptcy Code. 11 U.S.C. § 105. For the reasons set forth herein, and in light of the critical need for the Debtors to preserve the going concern value of their businesses in order to effect a successful reorganization through, among other things, maintenance of legally-mandated insurance coverage and good relationships with the Insurance Carriers, the Insurance Brokers, SRS, the Other Administrators, and Navigant, payment of prepetition Insurance Obligations as requested herein is proper in accordance with Bankruptcy Code section 105.

37. Payment of the prepetition Insurance Obligations is further supported by the doctrine of necessity. The doctrine of necessity is a well-settled doctrine that permits a bankruptcy court to authorize payment of certain prepetition claims prior to the completion of the reorganization process where the payment of such claims is necessary to the reorganization. See In re NVR L.P., 147 B.R. 126, 127 (Bankr. E.D. Va. 1992) ("[T]he court can permit pre-plan payment of a pre-petition obligation when essential to the continued operation of the debtor[,]" and must show a "substantial necessity."); see also In re Just for Feet, Inc., 242 B.R. 821, 826 (D. Del. 1999) (stating that where the debtor "cannot survive" absent payment of certain prepetition claims, the doctrine of necessity should be invoked to permit payment).

38. The doctrine of necessity is a widely accepted component of modern bankruptcy jurisprudence. See In re NVR L.P., 147 B.R. at 127 ("[T]he 'necessity of payment' rule is a narrow exception well-established in bankruptcy common law."); see also Just For Feet, 242 B.R. at 826 (approving payment of key inventory

suppliers' prepetition claims when such suppliers could destroy debtor's business by refusing to deliver new inventory on eve of debtor's key sales season).

39. Here, for the discussed herein, it is evident that payment of prepetition Insurance Obligations is necessary to the Debtors' effective reorganization. In particular, the Debtors believe that payment of prepetition Insurance Obligations is necessary to maintain insurance coverage as well as good relationships with the Debtors' insurers, brokers, administrators, and consultants thereby ensuring the continued availability of insurance coverage and reasonable pricing of such coverage.

E. Absent The Relief Requested The Debtors Will Suffer Immediate And Irreparable Harm.

40. Similarly, the relief requested is warranted under Bankruptcy Rule 6003, which provides:

Except to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 20 days after the filing of the petition, grant relief regarding the following: . . . (b) a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate, including a motion to pay all or part of a claim that arose before the filing of the petition, but not a motion under Rule 4001.

Fed. R. Bankr. P. 6003.

41. No court within the Fourth Circuit has interpreted the "immediate and irreparable harm" language in the context of Bankruptcy Rule 6003 in any reported decision.⁵ However, the Fourth Circuit Court of Appeals has interpreted the same language in the context of preliminary injunctions. In that context, irreparable harm has been interpreted as a continuing harm that cannot be adequately redressed by final relief on the merits and for which money damages cannot provide adequate compensation. See, e.g., Hughes Network Systems, Inc. v. Interdigital Communications Corp., 17 F.3d 691, 694 (4th Cir. 1994). Further, the harm must be shown to be actual and imminent, not speculative or unsubstantiated. See, e.g., Scotts Co. v. United Industries Corp., 315 F.3d 264, 283 (4th Cir. 2002).

⁵ Although there is not direct authority concerning Bankruptcy Rule 6003 in the Fourth Circuit, at least one bankruptcy court, applying Bankruptcy Rule 6003, concluded that first-day relief in a similar context was warranted because such relief was necessary to avoid irreparable harm. See In re First NLC Fin. Servs., LLC, 382 B.R. 547, 549-50 (Bankr. S.D. Fla. 2008) (holding that Rule 6003 permits entry of retention orders on an interim basis to avoid irreparable harm).

42. To the extent that the requirements of Bankruptcy Rule 6003 are applicable to the relief requested in the Motion, the Debtors submit that for the reasons set forth herein, the relief requested in this Motion is necessary to avoid immediate and irreparable harm as defined by the Fourth Circuit Court of Appeals. While the Debtors believe that only a minimal amount of the Insurance Obligations the Debtors seek to pay pursuant to this Motion are prepetition claims, nonetheless immediate and irreparable harm would result absent the relief sought herein. Specifically, Insurance Obligations are soon to come due. The Debtors believe that if their Insurance Obligations are not paid as soon as possible and on an expedited basis, the Debtors' Insurance Carriers may seek to terminate the Debtors' Insurance Policies. The effect of potential cancellation of the Insurance Policies -- or even litigation regarding the same -- would be devastating to the Debtors' estates, particularly at these early stages of the chapter 11 cases. Moreover, cancellation of the Insurance Policies would render the Debtors' in

violation of the Operating Guidelines, various state laws, and the Debtors' financing arrangements.

43. Accordingly, the Court should allow the payment of prepetition Insurance Obligations as requested herein.

44. This Court and other courts have granted the same or similar relief in other large chapter 11 cases. See, e.g., In re Movie Gallery, Inc., Case No. 07-33849 (DOT) (Bankr. E.D. Va. Oct. 16, 2007); In re The Rowe Companies, Case No. 06-11142 (SSM) (Bankr. E.D. Va. Sept. 20, 2006); see also In re Tweeter Home Entm't Group, Inc., Case No. 07-10787 (PJW) (Bankr. D. Del. June 13, 2007).

45. To the extent that the Insurance Policies or related agreements may be deemed executory contracts within the meaning of Bankruptcy Code section 365, the Debtors do not at this time seek authority to assume such contracts.

II. INTERCOMPANY TRANSACTIONS

A. The Debtors Should Be Authorized To Continue Intercompany Transfers Of Funds.

46. In the exercise of their reasonable business judgment, the Debtors believe that preservation of the going concern value of the Debtors and their Non-Filing Affiliates as a worldwide enterprise is absolutely essential to the success of any reorganization plan for the Debtors. The relief requested herein is necessary because Intercompany Transactions among the Debtors and the Non-Filing Affiliates are integral to the maintenance of appropriate insurance coverage throughout the Debtors' corporate enterprise. These Intercompany Transactions also reduce the Debtors' administrative costs, and, in certain cases, result in tax and risk-pooling benefits to the Debtors. Consequently, the Debtors believe that continuation of the Intercompany Transactions, including payment of Insurance Policy premiums to NNIL, is necessary to maintain the value of the Debtors' estates.

47. Accordingly, the Court should authorize the Debtors to continue their prepetition intercompany transactions practices.

48. This Court and other courts have granted the same or similar relief in other large chapter 11 cases. See, e.g., In re Movie Gallery, Inc., et al., Case No. 07-33849 (SSM) (Bankr. E.D. Va. Oct. 17, 2007); In re Storehouse, Inc., Case No. 06-11144 (SSM) (Bankr. E.D. Va. Sept. 20, 2006); In re Rowe Furniture, Inc., Case No. 06-11143 (SSM) (Bankr. E.D. Va. Sept. 20, 2006); In re The Rowe Cos., Case No. 06-11142 (SSM) (Bankr. E.D. Va. Sept. 20, 2006).

B. Intercompany Claims Should Be Afforded Superpriority Status Under Bankruptcy Code Section 364(c)(1).

49. The Debtors' books and records reflect various intercompany account balances among the Debtors and the Non-Filing Affiliates as of the Petition Date. On a going-forward basis, to ensure that each individual Debtor will not fund the operations of another entity at the expenses of such Debtor's creditors, the Debtors request, pursuant to section 364(c)(1) of the Bankruptcy Code, that all intercompany claims (the "Intercompany

Claims") against a Debtor by another Debtor or by a Non-Filing Affiliate arising after the Petition Date as a result of Intercompany Transactions (the "Postpetition Intercompany Claims") be accorded superpriority status, with priority over any and all administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, subject and subordinate only to other valid liens in existence as of the Petition Date or granted pursuant to any debtor in possession financing facility. If Postpetition Intercompany Claims are accorded superpriority status, each individual Debtor on whose behalf another Debtor has utilized funds or incurred expenses will continue to bear ultimate repayment responsibility, thereby protecting the interests of each Debtor's creditors.⁶

50. Accordingly, the Court should grant superpriority status to postpetition inter-debtor claims.

51. This Court and other courts have granted the same or similar relief in other large chapter 11

⁶ Nothing herein constitutes a request to validate the nature or amount of any Intercompany Transaction or Intercompany Claim, whether arising prepetition or postpetition.

cases. See, e.g., In re Movie Gallery, Inc., et al.,
Case No. 07-33849 (SSM)(Bankr. E.D. Va. Oct. 17, 2007);
In re Dura Auto. Sys., Inc., No. 06-11202 (KJC) (Bankr.
D. Del. Nov. 20, 2006); In re J.L. French Auto. Castings,
Inc., Case No. 06 10119 (MRW) (Bankr. D. Del. Mar. 9,
2006).

NOTICE

52. Notice of this Motion will be given to:
(i) the Office of the United States Trustee for the
Eastern District of Virginia; (ii) counsel to the agent
for Debtors' postpetition lenders; (iii) counsel to the
agent for the Debtors' prepetition lenders; and (iv) the
Debtors' top fifty (50) largest unsecured creditors on a
consolidated basis. The Debtors submit that, under the
circumstances, no other or further notice of the Motion
is required.

WAIVER OF MEMORANDUM OF LAW

53. Pursuant to Local Bankruptcy Rule 9013-
1(G), and because there are no novel issues of law
presented in the Motion and all applicable authority is
set forth in the Motion, the Debtors request that the

requirement that all motions be accompanied by a separate memorandum of law be waived.

NO PRIOR REQUEST

54. No previous request for the relief sought herein has been made to this Court or any other court.

CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court enter an order, substantially in the form annexed hereto, granting the relief requested in the Motion and such other and further relief as may be just and proper.

Dated: November 10, 2008
Richmond, Virginia

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Proposed Counsel for Debtors and
Debtors in Possession

EXHIBIT A

Schedule of Insurance Policies

Exhibit A

Schedule of Insurance Policies

Policy Type	Policy Number	Effective Date	Expiration Date	Carrier
Commercial General Liability	MWZY 58095	10/01/08	10/01/09	Old Republic Insurance Company
Business Auto Liability Policy	MWYB 20081	10/01/08	10/01/09	Old Republic Insurance Company
Employer Liability and Workers' Compensation	MWC 115699 00	10/01/08	10/01/09	Old Republic Insurance Company
Aircraft Liability	15000449	09/17/08	09/17/09	Global Aerospace, Inc.
CGL/AL/EL/Aircraft Excess-Layer 1	2226973	10/01/08	10/01/09	National Union Fire Insurance Company
CGL/AL/EL/Aircraft Excess-Layer 2	2213748	10/01/08	10/01/09	Lexington Insurance Company
CGL/AL/EL/Aircraft Excess-Layer 3	SHX00079595450	10/01/08	10/01/09	Fireman's Fund Insurance Company
CGL/AL/EL/Aircraft Excess-Layer 4	EXC 2195340	10/01/08	10/01/09	Great American Assurance Company
CGL/AL/EL/Aircraft Excess-Layer 5	QI06801704	10/01/08	10/01/09	St. Paul Fire and Marine Insurance Company
CGL/AL/EL/Aircraft Excess-Layer 6	ECO(09)52512196	10/01/08	10/01/09	Ohio Casualty Insurance Company
Business Travel Accident	GTU 4847849	08/01/08	08/01/09	Zurich American Insurance Company
D&O Excess-Layer 1	8209-3152	12/01/07	12/01/08	Executive Risk Indemnity (Chubb)
D&O Excess-Layer 2	DFX3911891	12/01/07	12/01/08	Great American Insurance Companies
D&O Excess-Layer 3	EC06800972	12/01/07	12/01/08	St. Paul Travelers Insurance Company
D&O Excess-Layer 4	RAN710840/01/2007	12/01/07	12/01/08	Axis Reinsurance Company
D&O Excess-Layer 5	HS627141	12/01/07	12/01/08	RSUI Indemnity Company
D&O Excess-Layer 6	DOX0023851-00	12/01/07	12/01/08	Arch Insurance Group
Directors & Officers Side A (DIC)	ELU101502-07	12/01/08	12/01/08	XL Specialty Insurance Co
Directors & Officers Side A (DIC) Excess-Layer 1	8209-3156	12/01/07	12/01/08	Executive Risk Indemnity (Chubb)
Fiduciary Liability	8119-7821	12/01/07	12/01/08	Federal Insurance Company (Chubb)
Crime	8119-7821	12/01/07	12/01/08	Federal Insurance Company (Chubb)
Special (K&R)	8119-7821	12/01/07	12/01/08	Federal Insurance Company (Chubb)
Property	8757424	8/15/08	8/15/09	Lexington Insurance Company
Property	EAF734325-08	8/15/08	8/15/09	Axis Surplus Insurance Company
Property	MAXN61M0002849	8/15/08	8/15/09	State National Insurance Company
Property	WB0800968	8/15/08	8/15/09	Lloyds of London
Property	MJ2L9L443896018	8/15/08	8/15/09	Liberty Mutual Fire Insurance Company

Policy Type	Policy Number	Effective Date	Expiration Date	Carrier
Property	78-A3-XP-0000144-01	8/15/08	8/15/09	Princeton Excess & Surplus Lines Insurance Company
Property	31-3-72223	8/15/08	8/15/09	Industrial Risk Insurers
Property	WB0801063	8/15/08	8/15/09	Lancashire Insurance Company (UK) Ltd
Property	WB0801064	8/15/08	8/15/09	Glacier Insurance AG
Property	WB0801029	8/15/08	8/15/09	Lloyds of London
Property	WB080162	8/15/08	8/15/09	Lloyds of London
Property	LHD359228	8/15/08	8/15/09	Landmark American Insurance Company
Property	GEP2189	8/15/08	8/15/09	Global Excess Partners
Property	XIN25772	8/15/08	8/15/09	Integon Specialty Insurance Company
Stock Throughput	88644	12/2/07	12/2/08	American Home Assurance Company
Stock Throughput	CBN00118	9/5/08	8/15/09	National Liability and Fire Insurance Company
Boiler & Machinery	BM1098580896	12/2/07	12/2/08	Continental Casualty (CNA)
Boiler & Machinery	BM3011090663	8/15/08	8/15/09	Continental Casualty (CNA)
General Liability, Auto Liability, Workers' Compensation, & Employers Liability	Not yet received	10/01/08	12/31/08	Northern National Insurance Ltd.
Canadian General Liability	CZY58095	10/01/08	10/01/09	Old Republic Insurance Company of Canada
Canadian Auto Liability	CTB20081	10/01/08	10/01/09	Old Republic Insurance Company of Canada
Foreign Package (Hong Kong)	WR10004769	1/01/08	1/01/09	National Union Fire Insurance Company
Foreign General Liability	0300000268/000003	1/01/08	1/01/09	AIG Insurance Company (Taiwan)
Foreign Workers' Compensation and Public Liability	82608562 OFP	10/01/08	10/01/09	MSIG Insurance Ltd. (Hong Kong)

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IN THE UNITED STATES BANKRUPTCY COURT
 FOR THE EASTERN DISTRICT OF VIRGINIA
 RICHMOND DIVISION

- - - - - X
 : Chapter 11
 In re: :
 : Case No. 08-)
 CIRCUIT CITY STORES, INC., :
et al., : Jointly Administered
 :
 Debtors. :
 - - - - - X

**ORDER PURSUANT TO BANKRUPTCY CODE SECTIONS 105, 363, 364,
 1107, AND 1108, AND BANKRUPTCY RULE 6003 (I) AUTHORIZING
 DEBTORS TO MAINTAIN INSURANCE POLICIES, PAY INSURANCE
 OBLIGATIONS, AND RENEW INSURANCE POLICIES; (II)
 AUTHORIZING INTERCOMPANY TRANSACTIONS; AND (III)
 GRANTING SUPERPRIORITY CLAIM STATUS TO POSTPETITION
 INTERCOMPANY CLAIMS**

Upon the motion (the "Motion")¹ of the Debtors
 for an order, pursuant to Bankruptcy Code sections 105,

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

363, 364, 1107, and 1108, and Bankruptcy Rule 6003

(i) authorizing, but not directing, the Debtors to maintain their existing insurance policies, pay all insurance obligations arising thereunder or in connection therewith, and to renew existing insurance policies, or enter into new insurance arrangements, as may be required as the annual terms of existing arrangements expire; (ii) authorizing, but not directing, intercompany transactions; and (iii) granting superpriority claim status to all postpetition intercompany claims; and the Court having reviewed the Motion and the Besanko Declaration; and the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefore, it is hereby

ORDERED, ADJUDGED, AND DECREED that:

1. The Motion is GRANTED.

2. The Debtors are authorized, but not directed, to continue their Insurance Policies, and to pay the premiums and related charges arising under or in connection with the Insurance Policies as such premiums and charges become due. For the avoidance of doubt, this includes payment of all premiums attributable to prepetition periods.

3. The Debtors are authorized, but not directed, to pay all brokers' fees arising under or in connection with the Insurance Policies as they become due, including, without limitation, all fees payable to Beecher Carlson Insurance Services, Inc., Aon, Marsh USA, Inc., Mercer Insurance Group, and Jardine Lloyd Thompson Canada in an amount up to \$230,000. For the avoidance of doubt, this includes payment of such fees that are attributable to prepetition periods.

4. The Debtors are authorized, but not directed, to pay all administration fees arising under or in connection with the Insurance Policies as they become due, including, without limitation, all fees payable to Specialty Risk Services in an amount up to

\$160,000. For the avoidance of doubt, this includes payment of such fees attributable to prepetition periods.

5. The Debtors are authorized, but not directed, to pay all administration fees arising under or in connection with the Insurance Policies as they become due, including, without limitation, all fees payable to The Travelers Company and Sedgwick Claims Management Services in an amount up to 15,000. For the avoidance of doubt, this includes payment of such fees attributable to prepetition periods.

6. The Debtors are authorized, but not directed, to pay all consulting fees arising under or in connection with the Insurance Policies as they become due, including, without limitation, all fees payable to Navigant Consulting, Inc in an amount up to \$5000. For the avoidance of doubt, this includes payment of such fees attributable to prepetition periods.

7. The Debtors' banks shall be and hereby are authorized and directed to receive, process, honor, and pay all prepetition and postpetition checks and fund transfers on account of the prepetition insurance obligations that had not been honored and paid as of the

Petition Date, provided that sufficient funds are on deposit in the applicable accounts to cover such payments.

8. Without further order of this or any other Court, the Debtors are authorized to renew existing Insurance Policies, or enter into new insurance arrangements, in the ordinary course of business, as may be required as the annual terms of existing arrangements expire.

9. The Debtors are authorized to continue to engage in Intercompany Transactions, provided, however, that the Debtors are directed to maintain strict records of all transfers so that all transactions, including, but not limited to, Intercompany Transactions, may be readily ascertained, traced, and recorded properly on applicable accounts.

10. Pursuant to section 364(c)(1) of the Bankruptcy Code all intercompany claims arising from Intercompany Transactions between and among the Debtors and the Non-Filing Affiliates after the Petition Date shall be accorded priority over any and all administrative expenses of the kind specified in

sections 503(b) and 507(b) of the Bankruptcy Code, subject and subordinate only to (i) other valid liens in existence as of the Petition Date or granted in connection with any post-petition debtor in possession financing granted by this Court and (ii) liens and superpriority administrative expenses granted to the prepetition lenders as adequate protection.

11. Nothing in this Order or the Motion shall be deemed to constitute postpetition assumption or adoption of any agreement under Bankruptcy Code section 365.

12. Neither the provisions contained herein, nor any actions or payments made by the Debtors pursuant to this Order, shall be deemed an admission as to the validity of the underlying obligation or a waiver of any rights the Debtors may have to subsequently dispute such obligation on any ground that applicable law permits.

13. The Court finds and determines that the requirements of Bankruptcy Rule 6003 are satisfied and that the relief requested is necessary to avoid immediate and irreparable harm.

14. The requirement under Local Bankruptcy Rule 9013-1(G) to file a memorandum of law in connection with the Motion is hereby waived.

15. The Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation or interpretation of this Order.

Dated: Richmond, Virginia
November __, 2008

UNITED STATES BANKRUPTCY JUDGE

WE ASK FOR THIS:

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and Debtors in Possession

CERTIFICATION OF ENDORSEMENT UNDER LOCAL RULE 9022-1(C)

I hereby certify that notice of the Debtors' intent to seek entry of the foregoing proposed order was provided to the parties identified in the Motion and copy of this proposed order was provided to the Office of the United States Trustee for the Eastern District of Virginia prior to submission to this Court.

/s/ Douglas M. Foley